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FOR IMMEDIATE RELEASE  
THURSDAY, JUNE 9, 2005  
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CRM  
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TDD (202) 514-1888

## **GEN RE EXECUTIVE JOHN HOULDSWORTH PLEADS GUILTY IN FRAUD SCHEME, AGREES TO COOPERATE WITH INVESTIGATION**

WASHINGTON, D.C. – Acting Assistant Attorney General John C. Richter of the Criminal Division and U.S. Attorney Paul J. McNulty of the Eastern District of Virginia announced today that John Houldsworth, the former Chief Executive Officer of Cologne Re Dublin (CRD), a subsidiary of the Gen Re Corporation, has pleaded guilty to a charge of conspiracy to falsify SEC filings as part of a scheme to fraudulently enable American International Group, Inc. to report increased insurance reserves.

Houldsworth, 46, a resident of Ireland and a chartered accountant, entered the plea this morning at U.S. District Court in Alexandria, Virginia. As part of his plea and cooperation agreement with the government, Houldsworth has agreed to cooperate fully and truthfully with an ongoing criminal investigation. The maximum penalty for a conviction of conspiracy is five years in prison and a fine of \$250,000 or twice any gain or loss. Sentencing is scheduled for Dec. 9, 2005.

According to documents filed as part of the plea agreement, Houldsworth was the Chief Executive Officer of Cologne Re Dublin until June 2001. He also held the position of Chief Underwriter for another Gen Re business unit, Alternative Solutions. Gen Re is itself a subsidiary of Berkshire Hathaway, Inc. As detailed in the filed documents, in November 2000, Houldsworth understood that high level executives, including the chief executive officers of both Gen Re and AIG, instigated a sham transaction through which AIG was able to book \$500 million in reinsurance reserves even though AIG assumed no real risk in the transaction.

The court filings detail a complex transaction through which Gen Re aided and abetted AIG's submission to the SEC of fraudulent filings. Houldsworth and others created a "paper trail" to make it appear that CRD had asked AIG to take over certain reinsurance risk. The underlying contracts made it appear that AIG was being paid an upfront fee of \$10 million for assuming CRD's reinsurance risk when, in fact, AIG was actually paying Gen Re \$5 million plus interest for participating in the transactions. The deal was purposefully handled by CRD, which is located outside of the United States, so that it would not be apparent that Gen Re and AIG were booking the transaction in inconsistent ways. AIG improperly added \$250 million in reinsurance reserves to its financial reports in both the last quarter of 2000 and the first quarter of 2001.

These entries were reversed and restated in AIG's recent SEC filing. AIG paid Gen Re the \$5 million by generating extra money for Gen Re in an otherwise unrelated transaction involving an AIG subsidiary, the Hartford Steam Boiler Company.

"The Justice Department's corporate fraud work protects and preserves a level playing field for those who play by the rules," said Acting Assistant Attorney General Richter. "Those

who cheat, however, by engaging in complex sham transactions – whether they be executives in the boardroom or facilitators at other companies – will be held accountable and brought to justice.”

“The reliability of corporate disclosures in the insurance industry is vital to investors and those seeking protection for various risks,” said U.S. Attorney McNulty. “We are committed to a thorough and rigorous investigation of fraudulent practices in this area.”

“This investigation is another excellent example of the U.S. Postal Inspection Service’s commitment to the President’s Corporate Fraud Task Force and its resolve to fight mail fraud,” said Chief Postal Inspector Lee R. Heath. “We continue to dedicate our expertise and resources to the fight against corporate corruption.”

In a related civil case brought by the SEC, Houldsworth had consented to the entry of a judgment permanently enjoining him from future violations of the securities laws and barring him from serving as an officer or director of a public company.

The investigation was conducted by the Fraud Section of the Criminal Division at the U.S. Department of Justice, the U.S. Attorney’s Office for the Eastern District of Virginia, the U.S. Postal Inspection Service, and the SEC’s New York Regional Office.

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